

CITY OF DAYTON
Columbia County, Washington
January 1, 1993 Through December 31, 1994

Schedule Of Findings

1. City Of Dayton Should Comply With Revenue Bond Covenants

During our audit we noted that the city was not in compliance with bond covenants for the 1992 water revenue bonds and 1991 sewer revenue bonds.

1992 Water Revenue Bonds:

City Ordinance No. 1530 states:

The City will deposit an amount into the Reserve Account simultaneously with the issuance and delivery of the Bonds, that, together with deposits therein, will be sufficient to equal the Reserve Account Requirement.

Reserve Account Requirement shall mean an amount equal to the lesser of (1) the maximum annual debt service, (2) 125% of the average annual debt service

We calculated the reserve account requirement to be \$91,515.

Water Revenue Bond Reserve Fund (No. 408)	<u>1994</u>	<u>1993</u>
Ending Cash and Investments	\$82,078	\$ 77,978
Less: Required reserve amount	<u>91,515</u>	<u>91,515</u>
Deficit	<u>\$(9,437)</u>	<u>\$(13,537)</u>

Each year the city staff has been making transfers to increase the amount in the Water Bond Reserve Fund, but the covenant requires the full amount be transferred at the time the bonds were sold.

1991 Sewer Revenue Bonds:

City Ordinance No. 1518, Section 24, B, 2 states:

The net revenue together with assessment income in each calendar year will equal at least 1.25 times the maximum annual debt service on the outstanding bonds

We calculated the required minimum net revenue to be \$82,850.00.

Sewer Fund (No. 401):	<u>1994</u>	<u>1993</u>
Net Revenue	\$ 65,024.54	\$ 58,482.83
Required Minimum Net Revenue	<u>82,850.00</u>	<u>82,850.00</u>
Deficit	<u>\$(17,825.46)</u>	<u>\$(24,367.17)</u>

The city has been raising sewer rates, but the net revenues are still not meeting the required amounts. The city has assigned extra staff in the sewer plant, so they can become trained before the current staff retired. This has decreased the net revenue of the utility available as security for bond holders.

The bond covenants are designed to give the holder of the bonds assurances that city has sufficient revenues and reserves to make the required debt service payments.

We recommend that the city deposit the required amount in the Water Bond Reserve Fund. We also recommend that the city take action so that the net revenues in the Sewer Fund is greater than the required minimum amount.